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Alberta Government Telephones

ANNUAL
REPORT

For the Fiscal Year Ending

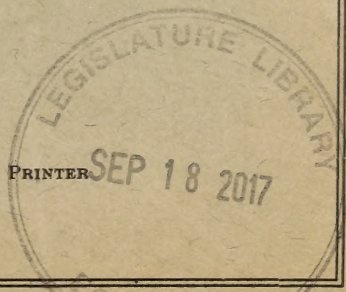
December 31st, 1925

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Alberta Government Telephones

ANNUAL REPORT

For the Fiscal Year Ending

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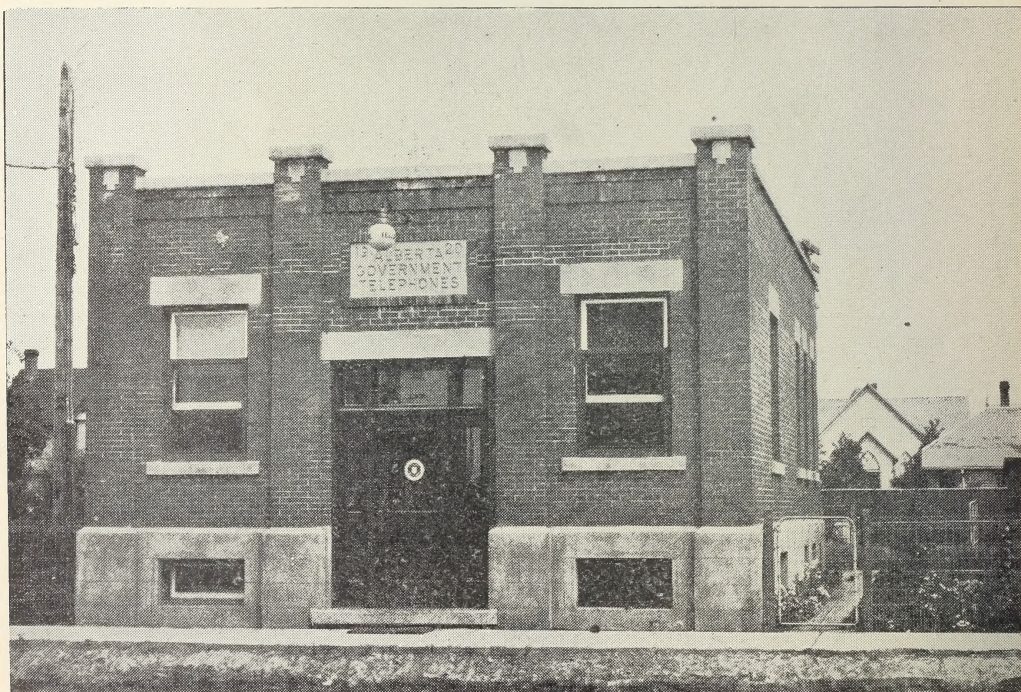
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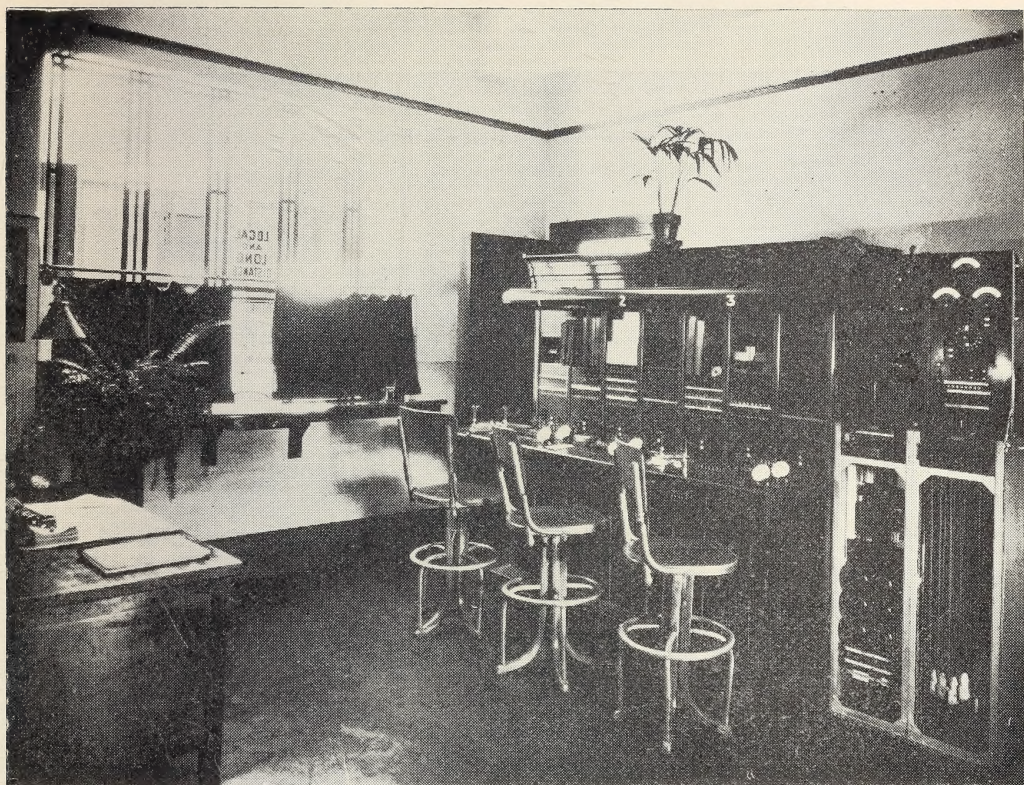
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STRATHMORE PRIZE WINNING OFFICE.



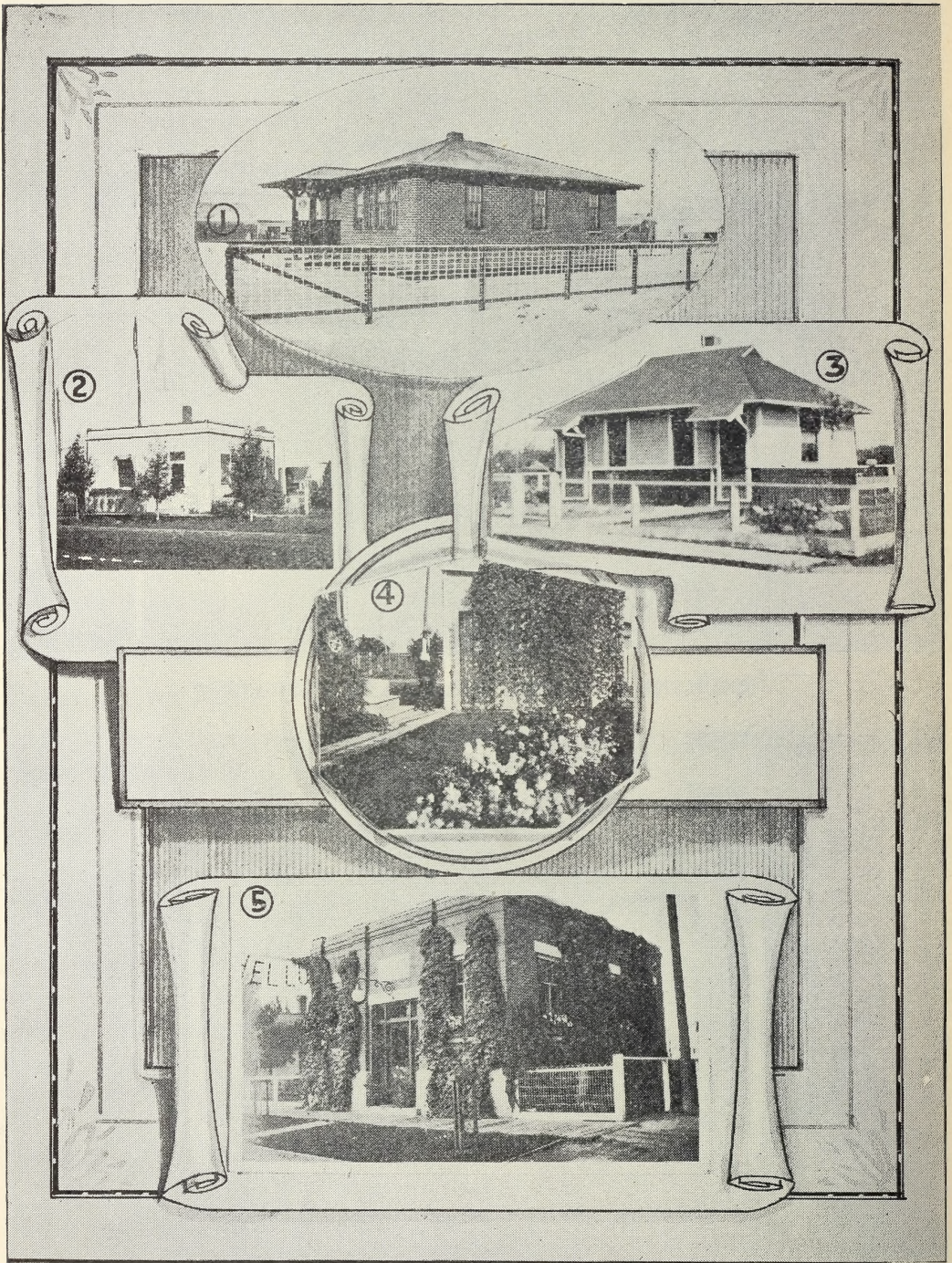
OLDS CENTRAL OFFICE.



MEDICINE HAT TOLL BOARD AND REPEATERS.



NORTH HILL AUTOMATIC SWITCH ROOM, CALGARY.



(1)—THREE HILLS BUILDING. (2)—VULCAN BUILDING.
 (3)—ALLIANCE BUILDING. (4)—PORTION OF GARDEN AT VULCAN.
 (5)—STETTLER BUILDING.

EDMONTON, Alberta, January 26th, 1926

To His Honour

WILLIAM EGBERT,

Lieutenant Governor of the Province of Alberta.

Edmonton, Alberta.

SIR,—I have the honour to transmit the Fourteenth Annual Report of the Department of Telephones for the year ending December 31, 1925.

I have the honour to be, Sir,

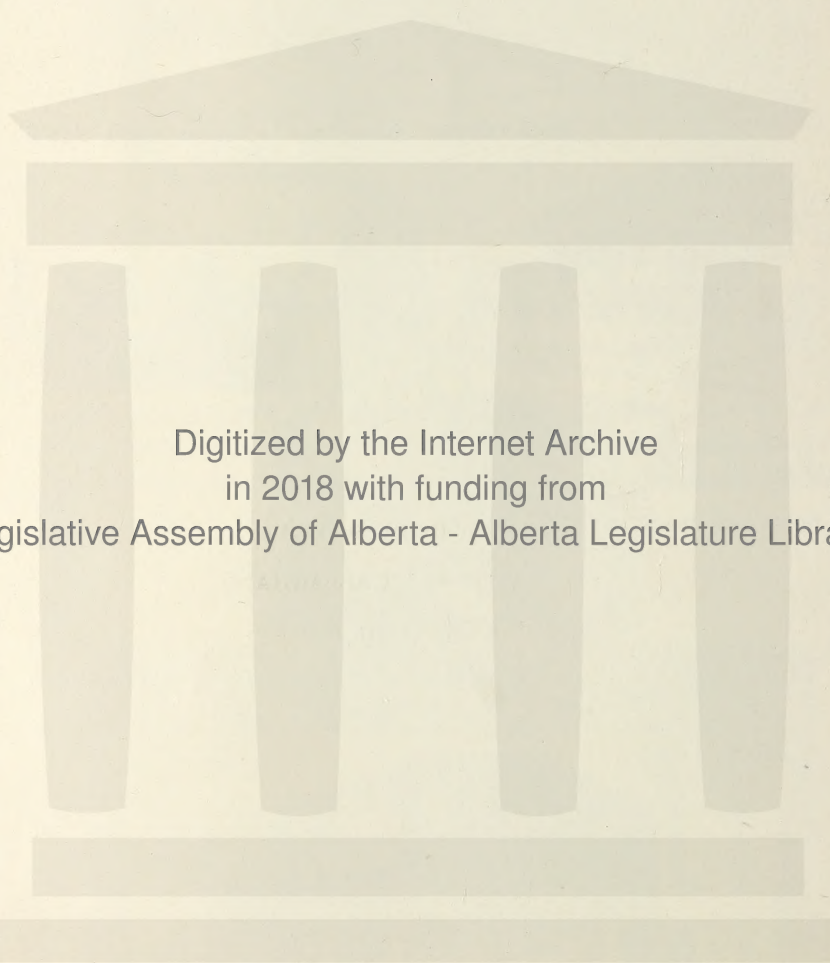
Your obedient servant,

VERNOR W. SMITH,

Minister of Railways and Telephones.

File at Min. of Tel.

Annual Report of the Department of Telephones, for the year 1925. (Sessional Paper No. 10).



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EDMONTON, Alberta, January 26th, 1926.

THE HONOURABLE VERNOR W. SMITH,

Minister of Railways and Telephones,

Edmonton, Alberta.

SIR,—I have the honour to submit herewith the Annual Report of the Telephone Department which has been compiled by the General Manager for the year ending December 31, 1925.

I have the honour to be, Sir,

Your obedient servant,

JOHN CALLAGHAN,

Deputy Minister of Railways and Telephones.

EDMONTON, Alberta, January 26th, 1926.

MR. JOHN CALLAGHAN,

Deputy Minister of Railways and Telephones,

Edmonton, Alberta.

SIR,—I submit herewith the Fourteenth Annual Report of the Alberta Government Telephones for the year ending December 31st, 1925.

CONSTRUCTION.

Exchange Plant Extensions.

Our Exchange System, which includes all of the cities and small towns in the Province, is growing at a reasonable rate, and to meet the demand for service in 1925, \$108,884.47 was spent on extensions and the installation of 1245 telephones, the net gain in exchange telephones for the year. This is an average capital cost of \$87.46 per telephone, a decided improvement over 1924. During the period we installed 7212 telephones and removed 5967.

Toll Line Extensions.

There were a few wire extensions made to our existing toll line plant during the year, mainly to improve the service, and to connect our system with the Mountain States Telephone System in Montana. These improvements, with the installation of two repeaters made it possible to extend our toll line service to all parts of the United States and Canada. Some capital money was spent in replacing inadequate or obsolete lines where the new line was of a heavier type of construction. The difference between the cost of the original line and the new line was chargeable to capital account. In all, the capital expenditure for the year was \$76,030.23.

Leased Wire Service.

During the past year we have installed equipment at Calgary, Edmonton and Medicine Hat, for the purpose of providing telegraph service on our existing toll lines. These lines are connected

up with similar lines at the Saskatchewan boundary and provide Telegraph Service which can be leased from Winnipeg to Calgary or Edmonton.

Rural Plant Extensions.

During the year we added to our rural plant in the Province 2924 telephones and removed 2079, a net gain of 845. The total cost of the work, including such capital additions as were involved in raising the standard of lines replaced on account of decay was \$202,786.78. A large number of these telephones were added to the existing plant at a very low cost, while pole line extensions were necessary for the balance. In all we constructed 395 miles of pole line and added 485 miles of wire. This is a condition which has not been experienced in the Rural Districts for some years and is a decided improvement over 1924, when we had a net loss of 619 telephones with an added investment of \$73,256.00.

Plant Replacement.

This class of work is chargeable to the Replacement Reserve and is made necessary by plant becoming obsolete or worn out. During the year we replaced 879 miles of line which, together with the original labor on all take-outs and other charges to the Reserve, cost \$226,390.02.

At the beginning of the year we had a total of \$300,255.69 in our Replacement Reserve and after taking out this year's requirements, we have a balance of \$103,392.02.

Operation and Maintenance.

Our policy of maintaining a good standard of service has been carried on during the year and the plant maintained up to a reasonably good standard. Operating costs have not increased, despite the fact that we have had a very satisfactory increase in Telephone Revenue amounting to \$110,313.43. Maintenance shows an increase of \$10,553.63 due to the increase in plant, and the effects of sleet storms experienced near the end of 1924.

During the year we have extended our long distance service to all parts of Canada and the United States. This has been made possible by the installation of telephone repeaters in our own territory and the completing of an interchange agreement with the Mountain States Telephone Company. The service has been very satisfactory, and we have had an average of 350 out-going calls per month to points as far East as Toronto, Montreal and New York, and West to Vancouver, Los Angeles and other points on

the Pacific Coast. Our plans provide for improvement of this service during the coming year.

Business Conditions.

1925 has shown a decided improvement in business conditions, largely during the last four months of the year when our Long Distance revenue was greater than in any previous Fall in the history of the System. For the twelve months we have an increase over 1924 of \$79,132.85 and the improvement appears to be continuing into 1926.

Exchange revenue increased steadily throughout the year and shows an improvement of \$27,581.08.

Rural Service shows a decided improvement during the Fall months when we reinstalled a good many telephones which had been taken out in previous years. Owing to this improvement coming late in the Fall, we show an increase of only \$3,599.50 for the year. As pointed out in last year's report, the rural system is a big problem and will require careful handling in the future.

Our lines cover a very large territory and have but one telephone to the mile under the best conditions.

During the last few years conditions have forced a large number of subscribers to give up the service, leaving considerable mileage of dead line. While we have reinstalled a number of these telephones during the Fall months, of 1925, we will require to add 2500 telephones on the existing plant to get back to where we were originally, and then continue to fill in with new subscribers.

Financial.

Our Financial Statement this year will show a decided improvement over 1924. Operating costs per telephone are lower and revenue is higher on the year's operations. Our total revenue was \$2,635,596.73 which is an improvement of \$115,436.45 over 1924. This revenue will take care of all operating expenses, pay the interest on the total investment, and \$114,949.28 towards the Sinking Fund. It will also write off \$27,399.64 of our intangible assets. On accounts as shown above, without depreciation, the balance sheet will show a deficit of \$8,864.63 an improvement of \$114,847.56 over 1924.

The following table will show the position of telephone earnings and expenses during the last five years, and the increase in interest and Sinking Fund for the past seven years.

	Telephone Earnings	Telephone Expenses	Number of Telephones
1921	\$2,247,277.00	\$1,431,671.00	50,611
1922	2,359,551.00	1,380,564.00	53,421
1923	2,361,468.00	1,287,723.00	53,896
1924	2,399,080.00	1,242,842.00	54,215
1925	2,502,175.00	1,254,119.00	56,279

Interest and Sinking Fund

1919	\$ 517,222.00
1920	622,454.00
1921	991,030.00
1922	1,347,426.00
1923	1,340,686.00
1924	1,373,631.00
1925	1,362,943.00

Material.

Material stocks in the Department as at December 31st, 1925 are valued at \$420,149.36. This includes all stocks of poles, telephones, and line material carried in the various Exchanges throughout the Province as well as the material carried in the main stores and pole yards, and is very close to a normal stock for a telephone business of this size.

Our problem of the past four years in connection with overstocks of material is now eliminated.

Reserves.

Cash Reserves at December 31st, 1925 total \$816,493.92 and are made up as follows:

Replacement Reserve	\$103,392.02
Sinking Fund Reserve	713,101.90

As previously explained, the Replacement Reserve provides for the replacement of Plant when it becomes obsolete or worn out, and to take care of unforeseen damage such as that caused by sleet storms.

Remarks.

The Telephone System in the Province of Alberta has been built to provide a general telephone service to all classes of people in the Province. It is safe to say that private capital could not, or would not undertake to give similar telephone service to the rural population of this country, nor to the outlying districts which are now served by toll lines.

The System is serving 20,500 farms and 34,500 urban subscribers. In addition, 37,000 miles of long distance lines connect the towns, villages and isolated communities of the Province. The System has done much to relieve isolation in far out districts and farms. It has provided a means whereby the settler can secure medical aid in time of sickness, and has kept the farmer in touch with his nearest market town. It has also kept the business man in town in close contact with all rural districts. It is obvious that this kind of service must be the means of saving large sums of money to both urban and rural settlers in this country.

In the development of the Province, the Telephone System has contributed largely towards colonizing the country. It has provided facilities which make it possible to interchange business between the small town and the city, and between the various rural centres in the Province. After going through this period of development and colonization, all the loose ends have been gathered up, and a complete survey of the telephone situation in Alberta has been made.

While the System was being developed, and up to the present time, rates have been too low to provide service at a fair return on the large investment necessary. The rates are low by comparison with other Provinces in Canada, and with Telephone Systems in the United States, despite the fact that Alberta is disadvantageously placed geographically in respect to her market for telephone equipment. Freight costs to Alberta from the manufacturing centres are much higher than to the Eastern Provinces; handling costs are greater and labor is better paid. Yet Alberta pays less for her telephones, and generally receives the highest grade of service.

The area of Alberta and the sparsely settled lands comprising it set up a telephone problem in addition to the others. Extensive and expensive construction is necessary to connect the scattered points of settlement. The cities of Alberta cover a wide area involving extended construction not at all comparable with that required in the much more closely settled cities in the older Provinces.

The Telephone System has two assets upon which money value cannot be placed; it's working personnel and it's relations with the

public. The latter is fostered by the former, and in acknowledging the loyalty and devotion of the employee body, I recognize and appreciate the goodwill of our public. From our employees and our patrons we have received whole-hearted support and to them must be accredited much of the success of our System.

I have the honor to be, Sir,

Your obedient servant,

R. B. BAXTER,

General Manager.

ALBERTA GOVERNMENT TELEPHONES

BALANCE SHEET.

ASSETS.

Plant in Service (Cost).

December 31st, 1924.		December 31st, 1925.	
\$ 1,069,889.40	Real Estate	\$ 1,077,769.92	
3,140,002.38	Equipment	3,236,668.15	
2,673,051.38	Exchange Lines	2,738,790.09	
6,882,160.11	Rural Lines	7,054,200.76	
5,585,908.28	Toll Lines	5,655,951.15	
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\$19,351,011.55	Plant in Service	\$19,763,380.07	
33,948.41	Construction in Progress	16,191.40	
<hr/>		<hr/>	
\$19,384,959.96	Total Plant		\$19,779,571.47

Inventory and Supplies:

\$ 79,681.36	Office Furniture	\$ 80,615.33
38,235.11	Tools and Vehicles	35,602.07
569,968.03	Supplies	394,906.83
<hr/>		<hr/>
\$ 687,884.50		\$ 511,124.23

Current Assets:

\$ 405,522.75	Cash	\$ 453,607.46
199,467.32	Treasury Department (Cash)	239,131.98
528,299.83	Investments (Province of Alberta Debentures)	278,944.13
289,287.51	Accounts Receivable	266,230.35
9,033.86	Interest Receivable	5,424.58
34,277.04	Prepaid Expenses and Other	
	Deferred Debits	23,045.99
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\$ 1,465,888.31		\$ 1,266,434.49

Special Funds:

\$ 300,255.69	Depreciation and Renewal Reserve Fund	\$ 103,392.02
595,849.15	Sinking Fund	713,101.90
<hr/>		<hr/>
\$ 896,104.84		\$ 816,493.92

Intangible Assets:

\$ 751,270.75	Debenture Discount	\$ 723,269.57
466,968.82	Loss on Adjustment of Inventories	442,391.46
334,847.18	Adjustment of Accrued Interest on Debentures	334,847.18
56,228.81	Adjustment of Accrued Sinking Fund on Debentures ..	56,228.81
16,933.46	Red Deer—Franchise	14,111.18
<hr/>		<hr/>
\$ 1,626,249.02		\$ 1,570,848.20
<hr/>		<hr/>
\$24,061,086.63		\$23,944,472.31

LIABILITIES.

\$22,992,431.24	Debenture Debt	\$22,956,148.57
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Current Liabilities:

\$ 332,122.07	Accrued Debenture Interest		
	Not Due	\$ 332,801.77	
56,119.35	Accrued Sinking Fund	56,106.47	
15,746.65	Unearned Revenue, etc.	20,667.61	
<hr/>		<hr/>	
\$ 403,988.07			\$ 409,575.85

Reserves:

\$ 300,255.69	Depreciation and Renewal Reserve	\$ 103,392.02	
595,849.15	Sinking Fund Reserve	713,101.90	
8,196.32	Special Reserve	8,389.07	
<hr/>		<hr/>	
\$ 904,301.16		\$ 824,882.99	
	Corporate Deficit as adjusted		
	Dec. 31, 1924	237,270.47	
<hr/>			
\$ 239,633.84			
	Deficit for the Year 1925	8,864.63	
		<hr/>	
\$ 239,633.84		\$ 246,135.10	
<hr/>		<hr/>	
\$ 664,667.32			\$ 578,747.89
<hr/>			<hr/>
\$24,061,086.63			\$23,944,472.31

A. M. MITCHELL,

Auditor.

Edmonton, February 15th, 1926.

I have audited the books and records of the Alberta Government Telephones for the year ended December 31, 1925, and the above Balance Sheet and accompanying statement of earnings are correctly prepared therefrom.

During the year only actual additions have been charged to plant; replacements and renewals have been charged to depreciation and renewal reserve. With the exception of the sinking fund contribution, \$114,949.28, no charge has been made against earnings for depreciation.

Subject to adequate provision for depreciation, I certify that, in my opinion, the above Balance Sheet is properly drawn up so as to show the financial position of the Alberta Government Telephones on December 31, 1925, and the accompanying relative statement of earnings fairly states the results for the fiscal year ended at that date.

JAMES C. THOMPSON, C.A.,

Provincial Auditor.

ALBERTA GOVERNMENT TELEPHONES

CONDENSED STATEMENT OF EARNINGS.

Telephone Revenue:

Year ended December 31st, 1924.		Year ended December 31st, 1925.	
\$ 993,639.05	Exchange Earnings	\$ 1,021,220.13	
482,235.90	Rural Earnings	485,835.40	
923,204.80	Toll Earnings	1,002,759.13	
<u>\$ 2,399,079.75</u>			<u>\$ 2,509,814.66</u>

Telephone Expense:

\$ 901,090.56	Operation	\$ 901,813.80	
341,751.44	Maintenance	352,305.07	
<u>\$ 1,242,842.00</u>			<u>\$ 1,254,118.87</u>
\$ 1,156,237.75	Net Telephone Earnings		\$ 1,255,695.79

Add: Sundry Earnings:

\$ 7,982.67	Directory Earnings	\$ 13,638.49	
40,728.37	Miscellaneous Earnings	60,668.37	
63,447.32	Interest Earned	51,475.21	
8,922.17	Profit on Registered Stock ...		
<u>\$ 121,080.53</u>			<u>\$ 125,782.07</u>
\$ 1,277,318.28	Total Gross Income		\$ 1,381,477.86

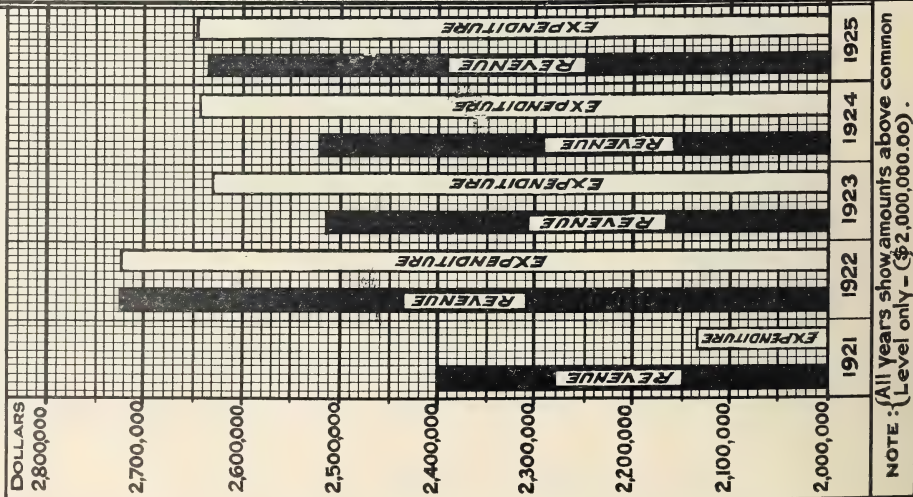
Deduct:

\$ 1,240,235.75	Interest	\$ 1,241,589.77	
86.21	Contingencies	671.51	
17,799.23	Bank Commission and Ex- change	5,732.29	
<u>\$ 1,258,121.19</u>			<u>\$ 1,247,993.57</u>
\$ 19,197.09	Operating Surplus		\$ 133,484.29

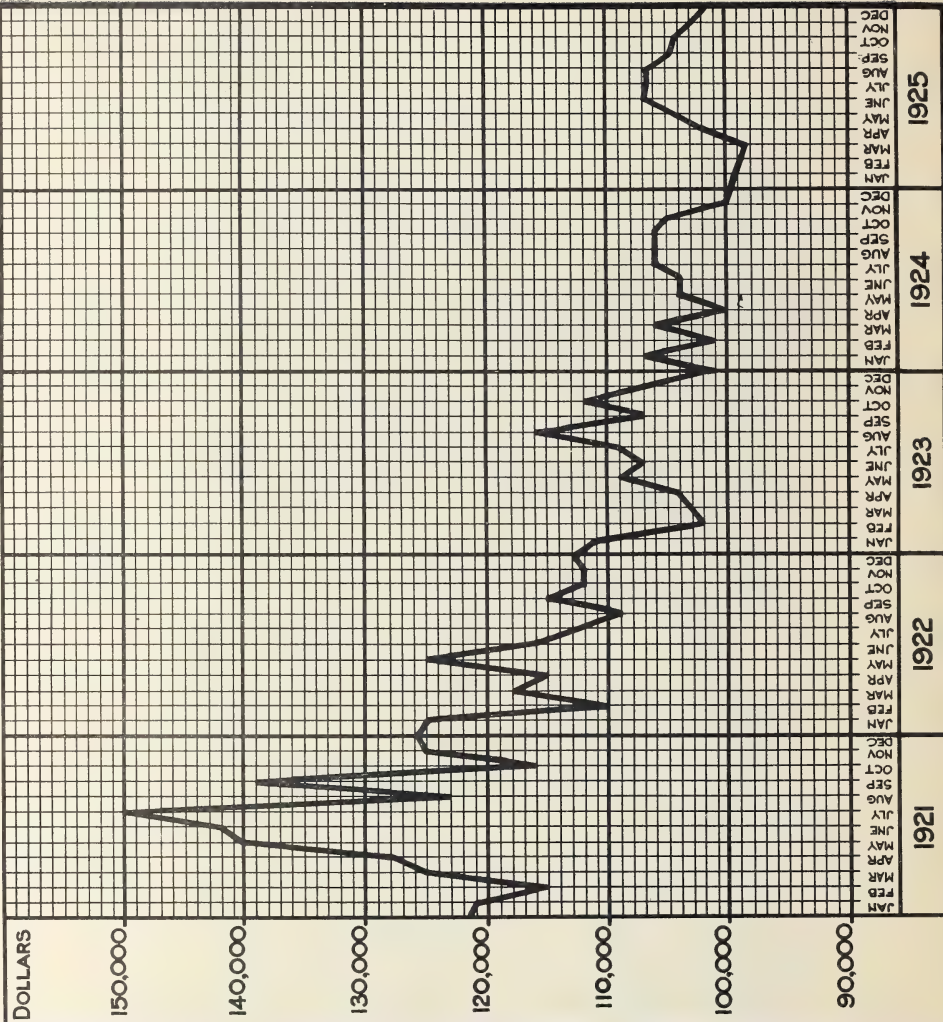
Other Deductions:

\$ 27,399.55	Intangible Written Down	\$ 27,399.64	
115,509.73	Sinking Fund Contribution ...	114,949.28	
<u>\$ 142,909.28</u>			<u>\$ 142,348.92</u>
\$ 123,712.19	Total Deficit		\$ 8,864.63

4 COMPARISON OF GROSS REVENUES WITH GROSS EXPENDITURES.

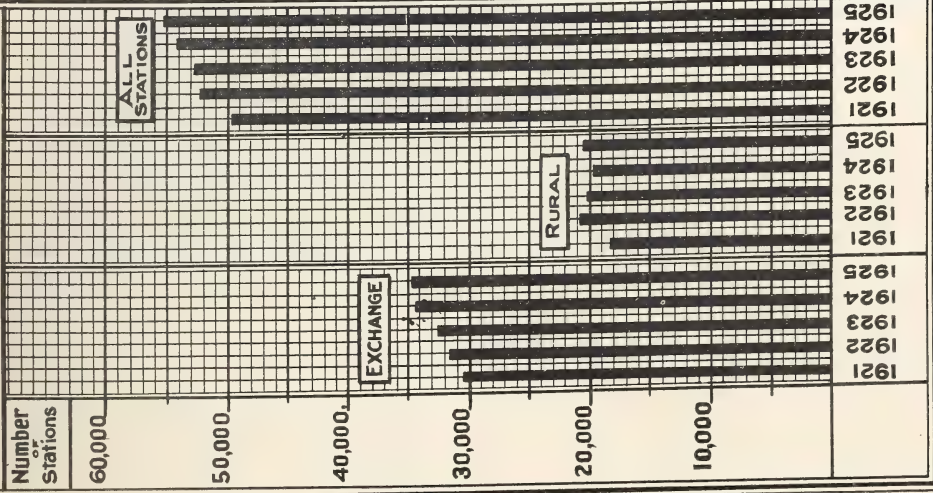


1 TELEPHONE OPERATING COSTS TREND JAN. 31ST. 1921 - DEC. 31ST. 1925



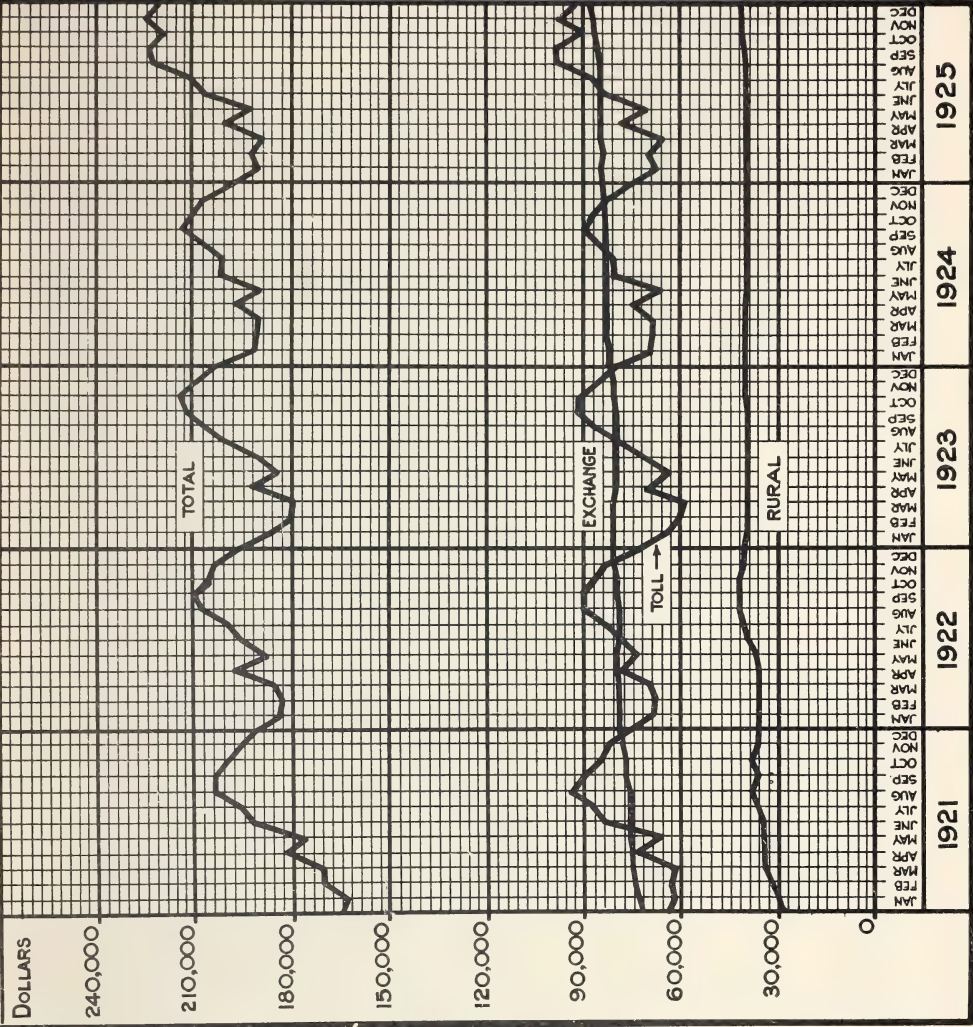
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STATION GROWTH.



②

TELEPHONE REVENUES



COMMERCIAL.

CONDENSED STATION REPORT, 1925.

Exchange Subscribers' Lines	28,992
Exchange Extension Stations	2,630
Exchange P. A. X. Sub-Stations	74
Exchange P. B. X. Sub-Stations	2,206
Pay Stations	524
Toll Stations	284
	<hr/>
	34,710
Rural Subscribers' Lines	20,476
	<hr/>
Total	55,186

STATEMENT OF EXCHANGES AND TOLL OFFICES
IN THE PROVINCE, DECEMBER 1925.

Number of Alberta Government Telephone Exchanges	280	
Number of Alberta Government Telephone Toll Offices		284
Number of Alberta Government Telephone Exchange Stations		34,426
Number of Alberta Government Telephone Rural Stations		20,476
		<hr/>
		55,186
Number of Private-owned Party Lines....	66	
Number of Private-owned Line Stations..		1,095
Number of Connecting Exchanges	2	
Number of Connecting Exchange Stations		13,900
		<hr/>
Total		70,181

PLANT.

TOLL WORK UNDERTAKEN AND COMPLETED, 1925.

Pole Miles.	Wire Miles.
89.75	316.25

Total Rural Mileage Built 1925:

	Pole Miles	Wire Miles	Subs.
(a)	340.00	485.00	467
Run-offs	55.39		
	<hr/>	<hr/>	<hr/>
	395.39	485.00	467

TRAFFIC.

GENERAL STATISTICS FOR YEAR ENDING
DECEMBER 31, 1925.

Traffic Pay Roll Offices	35
Offices Giving Continuous Service	81
Offices Giving Semi-Continuous Service	9
Toll Centers	118
Tributary Offices	448
Number of "Out" L. D. Tickets completed and billed..	2,538,247
Number of "Other Line" Offices in Saskatchewan, connecting with this System	461
Number of "Other Line" Offices in Manitoba connecting with this System	244
Number of Kootenay Telephone Lines Limited Offices connecting with this System	32
Total Number of Cities, Towns and Hamlets in Alberta having telephone connection	972
Offices using Morse Service for Departmental Business	2
Number of Physical L. D. Lines	252
Number of Phantom L. D. Lines	22
Number of Part Phantom and Part Physical L. D. Lines	30
Number of Simplex Telegraph Lines	1
Number of (Carrier) Multiplex Lines	2
Total Number of L. D. Lines	307
Phantom (Metallic) L. D. Circuit Mileage	2789
Physical L. D. Circuit Mileage	35614
Morse Simplex L. D. Circuit Mileage	202
Carrier L. D. Circuit Mileage	404

Included in the above data is the Peace River District which is composed of the following:

Toll Centers	4
Tributary Offices	29
Number of Physical L. D. Lines	4
Number of Phantom L. D. Lines	1
Total Long Distance Mileage	560

NOTE: Universal Toll Service was established October 21st, 1925, with all points in the United States, Eastern Canada, British Columbia and Cuba.

